

Clarksville - Morrison Lake Sewer Authority

Ionia County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended December 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> city <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Clarksville-Morrison Lake Sewer Authority	County Ionia
Audit Date December 31, 2004	Opinion Date February 19, 2005	Date Accountant Report Submitted to State: May 18, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

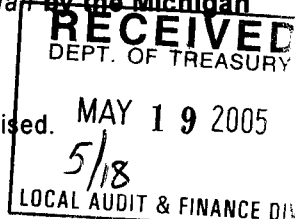
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Douglas Wohlberg CPA			
Street Address PO Box 1013	City Byron Center	State MI	ZIP 49315
Accountant Signature <i>Douglas Wohlberg</i>			



Clarksville - Morrison Lake Sewer Authority

Ionia County, Michigan

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December 31, 2004

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DOUGLAS WOHLBERG

Certified Public Accountant

To the Board
Clarksville - Morrison Lake Sewer Authority
Ionia County, Michigan

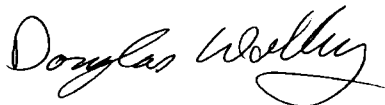
We have audited the accompanying financial statements of the business-type activities of Clarksville - Morrison Lake Sewer Authority as of and for the year ended December 31, 2004, which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clarksville - Morrison Lake Sewer Authority management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the the business-type activities of the Clarksville - Morrison Lake Sewer Authority as of December 31, 2004, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of December 31, 2004.

Clarksville - Morrison Lake Sewer Authority has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Byron Center, Michigan
February 16, 2005

BASIC FINANCIAL STATEMENTS

Clarksville - Morrison Lake Sewer Authority

Ionia County, Michigan

Statement of Net Assets

For the year ended December 31, 2004

	Business type activities
ASSETS	
Cash and cash equivalents	\$ 532,766
Receivables (net)	52,016
Capital assets - net	2,325,670
TOTAL ASSETS	\$ 2,910,452
LIABILITIES	
Accrued and other liabilities	\$ 1,598
NET ASSETS	
Invested in capital assets	2,325,670
Unrestricted	583,184
TOTAL NET ASSETS	\$ 2,908,854
TOTAL LIABILITIES AND NET ASSETS	2,910,452

Clarksville - Morrison Lake Sewer Authority

Ionia County, Michigan

Statement of Activities

For the year ended December 31, 2004

Functions/Programs	Expenses	Charges for services	Business-type activities
BUSINESS TYPE EXPENSES			
Sewer	264,472	174,709	(89,763)
General Revenues			
Unrestricted investment income			23,483
Miscellaneous			482
Total general revenues - special items and transfers			23,965
Change in net assets			(65,798)
Net assets at beginning of year			2,974,652
Net assets at end of year		\$	2,908,854

Clarksville - Morrison Lake Sewer Authority

Ionia County, Michigan

Sewer Fund

Statement of Net Assets

December 31, 2004

	2004	2003
ASSETS		
Current assets		
Cash	\$ 532,766	\$ 561,130
Accounts receivable	52,016	45,872
Total Current assets	584,782	607,002
Noncurrent assets		
Capital assets		
Sewer system	5,113,766	5,035,052
Machinery and equipment	230,700	210,075
Vehicles	21,715	21,715
Less accumulated depreciation	(3,040,511)	(2,892,360)
Total Capital assets	2,325,670	2,374,482
TOTAL ASSETS	\$ 2,910,452	\$ 2,981,484
LIABILITIES		
Current liabilities		
Payroll deductions payable	\$ 1,598	\$ 1,313
Escrow	-	5,519
Total Current liabilities	1,598	6,832
NET ASSETS		
Invested in capital assets, net of related debt	2,325,670	2,374,482
Unrestricted	583,184	600,170
TOTAL NET ASSETS	2,908,854	2,974,652
TOTAL LIABILITIES AND NET ASSETS	\$ 2,910,452	\$ 2,981,484

Clarksville - Morrison Lake Sewer Authority

Ionia County, Michigan

Sewer Fund

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended December 31, 2004 with comparative actual amounts for 2003

	2004	2003
<u>OPERATING REVENUE</u>		
Sales	\$ 168,509	\$ 137,023
Hookup fees	6,200	10,850
TOTAL OPERATING REVENUE	174,709	147,873
<u>OPERATING EXPENSES</u>		
Salaries and wages	56,889	56,854
Payroll taxes	4,288	4,151
Hospitalization insurance	2,860	2,884
Retirement contribution	973	1,229
Workers compensation insurance	1,186	610
Supplies	10,731	6,500
Contractual services	7,365	3,354
Insurance	8,942	8,128
Utilities	12,165	12,004
Repairs and maintenance	10,822	12,666
Depreciation	148,151	151,034
Other	100	100
TOTAL OPERATING EXPENSES	264,472	259,514
OPERATING INCOME	(89,763)	(111,641)
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest and dividends	23,483	15,363
Other	482	15,285
TOTAL NONOPERATING REVENUES (EXPENSES)	23,965	30,648
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(65,798)	(80,993)
CHANGE IN NET ASSETS	(65,798)	(80,993)
NET ASSETS - BEGINNING OF YEAR	2,974,652	3,055,645
NET ASSETS - END OF YEAR	\$ 2,908,854	\$ 2,974,652

Clarksville - Morrison Lake Sewer Authority

Ionia County, Michigan

Sewer Fund

Statement of Cash Flows

For the year ended December 31, 2004

	2004	2003
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 168,565	\$ 148,352
Payments to suppliers	(55,144)	(47,475)
Payments to employees	(60,892)	(61,090)
Changes in Escrow account	(5,519)	5,255
Net cash provided (used) by operating activities	47,010	45,042
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Purchase of capital assets	(99,339)	(121,701)
Other receipts (payments)	482	15,285
Net cash provided (used) by capital and related financing activities	(98,857)	(106,416)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	23,483	15,363
Net cash provided by investing activities	23,483	15,363
Net increase (decrease) in cash and cash equivalents	(28,364)	(46,011)
Balances - beginning of year	561,130	607,141
Balances - end of year	\$ 532,766	\$ 561,130
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>		
Operating income (loss)	\$ (89,763)	\$ (111,641)
Provided (used) by operating activities		
Depreciation	148,151	151,034
Change in net assets and liabilities		
Receivables - net	(6,144)	479
Accounts and other payables	285	(85)
Escrow	(5,519)	5,255
Net cash provided by operating activities	\$ 47,010	\$ 45,042

NOTES TO FINANCIAL STATEMENTS

Clarksville - Morrison Lake Sewer Authority

Ionia County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Articles of Incorporation were adopted by the incorporating municipalities for the purpose of creating an authority under the provisions of Act 233, Public Acts of Michigan, 1955, as amended. The name of this authority is Clarksville-Morrison Lake Sewer Authority. The principal office of the authority is located at the treatment site, Clarksville, Michigan. The names of the municipalities creating the authority are the Township of Boston, the Township of Campbell, and the Village of Clarksville, all in Ionia County, which are designated as constituent municipalities. The fiscal year of the Authority shall commence on the first day of January in each year and end on the 31st day of December of such year.

The purpose of the authority is to operate, maintain administer and manage any sewer disposal system, and treatment plant constructed or to be constructed by the County of Ionia pursuant to Act 185, Public Acts of Michigan, 1957, as amended or pursuant to any other legal authority for the benefit of the constituent municipalities, in accordance with authorization of Act 233, Public Acts of Michigan, 1955, as amended, provided, however, that preexisting systems and treatment plants operated in whole or in part by a constituent municipality and such municipality may contract with the authority for the purpose of obtaining services of sewage disposal systems including treatment plants, mains, interceptors, trunks, force mains and other sanitary sewer improvements to be constructed in the future either as new facilities or additions, pursuant to contract between the constituent municipality and the authority.

The Authority will continue in existence perpetually or until dissolved by act of the parties by law; provided, however, that such authority will not be dissolved if such dissolution would operate as an impairment of any of its contracts. The governing body of the authority is a commission, which is composed of five (5) members, one appointed amongst its own membership by the governing board of each of the constituent municipalities, the other two members are users of the sewage disposal system, and nominated by the afore said three members, and their appointments unanimously confirmed by the governing board of the constituent municipalities. The additional two members cannot be officers of the constituent municipalities, and all the members are to serve for a term of three (3) years, provided, however, in the event that any of the members appointed by the constituent municipalities shall no longer be a member of the governing body of such municipality, his term on this commission shall automatically terminate and a replacement shall be selected as set forth above.

The accounting policies of Clarksville - Morrison Lake Sewer Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Clarksville - Morrison Lake Sewer Authority:

A. Reporting Entity

Clarksville - Morrison Lake Sewer Authority is governed by an appointed five-member Board. The accompanying financial statements present the activities of the Authority. There are no component units to be included in these financial statements.

B. Government-Wide and Fund Financial Statements

The Authority has only one fund, the Sewer Business Type Fund.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Clarksville - Morrison Lake Sewer Authority

Ionia County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government reports the following major proprietary fund:

The Sewer Fund account for the activities of the sewage collection system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

The proprietary fund distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relate to charges to customers for sales and services. The sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables--All delinquent accounts receivable are turned over to Ionia County for collection. No accounts receivables are considered uncollectible.

Inventories and Prepaid Items--Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of the Authority are considered to be immaterial to the financial statements as a whole. Certain payments to vendors may reflect costs applicable to future fiscal years and would be recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets--Capital assets, which include property, plant and equipment, are reported in the business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Clarksville - Morrison Lake Sewer Authority

Ionia County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Sewer system	25 to 40 years
Machinery and equipment	5 to 15 years
Vehicles	3 years

Comparative Data/Reclassifications--Comparative total data for the prior year have been presented in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes Clarksville - Morrison Lake Sewer Authority to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Authority is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Clarksville - Morrison Lake Sewer Authority Board has designated three banks and two credit unions for the deposit of Authority funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

Clarksville - Morrison Lake Sewer Authority's deposits and investment policy are in accordance with statutory authority.

At year-end, the Authority's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Business-Type activities</u>
Cash and cash equivalents	\$ 537,266

The bank balance of the Authority's deposits is \$559,948, of which \$131,231 is covered by federal depository insurance and \$428,717 is uninsured and uncollateralized.

Clarksville - Morrison Lake Sewer Authority

Ionia County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

NOTE 3 - RECEIVABLES

Receivables as of year-end for the Authority's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

	Sewer Fund
Accounts	\$ 52,016

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Business-Type Activities	Balance January 1, 2004	Additions	Disposals	Balance December 31, 2004
Assets not being depreciated	\$	\$	\$	\$
Capital assets being depreciated:				
Sewer system	5,035,052	78,714		5,113,766
Machinery and equipment	210,075	20,625		230,700
Vehicles	21,715			21,715
Subtotal	5,266,842	99,339		5,366,181
Accumulated depreciation:				
Sewer system	2,801,673	130,850		2,932,523
Machinery and equipment	68,972	17,301		86,273
Vehicles	21,715			21,715
Subtotal	2,892,360	148,151		3,040,511
Net capital assets being depreciated	2,374,482	(48,812)		2,325,670
Net capital assets	\$ 2,374,482	\$ (48,812)	\$	\$ 2,325,670

Depreciation expense was charged to programs of the primary government as follows:

Business-Type activities:

Sewer	\$ 148,151
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Clarksville - Morrison Lake Sewer Authority

Ionia County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

NOTE 5 - SEGMENT INFORMATION

The Authority operates a fund to provide sewage services. Summary financial information for the sewer department is presented below:

Condensed Statement of Net Assets

	<u>Sewer Fund</u>
Assets	
Current assets	\$ 584,782
Capital assets	<u>2,325,670</u>
Total Assets	<u>2,910,452</u>
Liabilities	
Current liabilities	<u>1,598</u>
Total Liabilities	<u>1,598</u>
Net Assets	
Invested in capital assets	2,325,670
Unrestricted	<u>583,184</u>
Total Net Assets	<u>\$ 2,908,854</u>

Clarksville - Morrison Lake Sewer Authority

Ionia County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	Sewer Fund
Sewer Charges	\$ 174,709
Depreciation	148,151
Other operating expenses	116,321
Operating income	(89,763)
Nonoperating revenue (expense)	
Investment earnings	23,483
Other	482
Total nonoperating revenue and expenses	23,965
Changes in net assets	(65,798)
Beginning net assets	2,974,652
Ending net assets	\$ 2,908,854

Condensed Statement of Cash Flows

	Sewer Fund
Net cash provided by (used in)	
Operating activities	\$ 47,010
Capital and related financing activities	(98,857)
Investing activities	23,483
Net increase (decrease) in cash	(28,364)
Beginning cash and cash equivalents	561,130
Ending cash and cash equivalents	\$ 532,766

Clarksville - Morrison Lake Sewer Authority

Ionia County, Michigan

Notes to Basic Financial Statements

For the year ended December 31, 2004

NOTE 6 - RISK MANAGEMENT

Clarksville - Morrison Lake Sewer Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. Clarksville - Morrison Lake Sewer Authority has purchased commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS

The Authority has no post-retirement benefit plans.

NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN

Clarksville - Morrison Lake Sewer Authority participates in the Scudder Trust Company defined benefit pension plan that covers one employee. The Authority and the employee each contributes 2.5% of the employee's compensation paid during the plan year. Pension expense for the year was \$973.

AUDITORS' REPORTS

COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Board
Clarksville - Morrison Lake Sewer Authority
Ionia County, Michigan

We have audited the general purpose financial statements of Clarksville - Morrison Lake Sewer Authority, Ionia County, Michigan for the year ended December 31, 2004, and have issued our report thereon dated February 16, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated February 16, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Clarksville - Morrison Lake Sewer Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

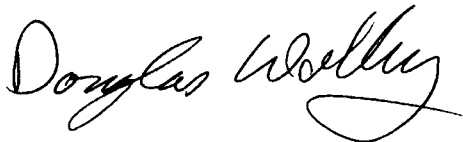
As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Clarksville - Morrison Lake Sewer Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Clarksville - Morrison Lake Sewer Authority are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2004. We noted no transactions entered into by Clarksville - Morrison Lake Sewer Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Authority Board and management of Clarksville - Morrison Lake Sewer Authority and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg CPA
Byron Center, Michigan
February 16, 2005

MANAGEMENT COMMENTS LETTER

To the Board
Clarksville - Morrison Lake Sewer Authority
Ionia County, Michigan

In planning and performing our audit of the financial statements of Clarksville - Morrison Lake Sewer Authority for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

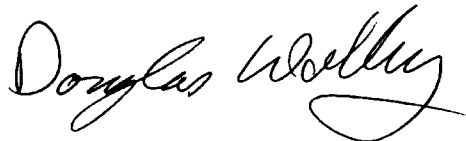
Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Clarksville - Morrison Lake Sewer Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no material weaknesses.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board, management, and others within the administration or the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the December 31, 2004 financial statements, and this report does not affect our report on those financial statements dated February 16, 2005. We have not considered the internal control since the date of our report.



Douglas Wohlberg CPA
Byron Center, Michigan
February 16, 2005

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Board
Clarksville - Morrison Lake Sewer Authority
Ionia County, Michigan

We have audited the general purpose financial statements of Clarksville - Morrison Lake Sewer Authority, Ionia County, Michigan as of and for the year ended December 31, 2004, and have issued our report thereon dated February 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clarksville - Morrison Lake Sewer Authority's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clarksville - Morrison Lake Sewer Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg CPA
Byron Center, Michigan
February 16, 2005